

THE SELF-SUFFICIENCY STANDARD FOR MARYLAND 2016

Press Statement of Diana Pearce

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The Self-Sufficiency Standard for Maryland

Today we are releasing *The Self-Sufficiency Standard for Maryland 2016*. Previous editions of the Maryland Self-Sufficiency Standard were released in 2001, 2007, and 2012. *The Self-Sufficiency Standard for Maryland 2016* tells us the real cost of living, the minimum Maryland families need to meet their basic needs, without public or private subsidies.

This press statement briefly describes how the Self-Sufficiency Standard is calculated, how it differs from the federal poverty measure, and key findings for Maryland. More detail on all of these topics can be found in the report itself, available at www.selfsufficiencystandard.org/maryland and www.maryland-cap.org.

Highlights of this report:

- **Costs are Rising Faster than Wages:** *The amount needed to meet the costs of basic needs increased between 2001 and 2016 in all Maryland counties, despite the Great Recession.* For a single adult family with two children (a preschooler and a school-age), the Standard increased on average by 66%, ranging from 42% to 90% across the state. In contrast, statewide, median wages only increased 40%, only about three-fifths of the increase in basic living costs.
- **The Poverty Line is Too Low:** *The Standard for a three-person family (one adult, one preschooler, and one school-age child) in Baltimore City (\$53,258 annually) is over 2.5 times the Federal Poverty Level for three-person families (\$20,160 annually),* illustrating how inadequate the federal poverty measure is at assessing income adequacy.
- **The Minimum Wage is Not Enough Alone:** *The Maryland minimum wage, \$8.75 per hour, is not enough to meet basic needs for many Maryland families.* A full-time Kent County worker with two children (a preschooler and a school-age child) earning the state minimum wage would be able to cover only 34% of her family's basic needs with her take-home pay after accounting for taxes. Put another way, she would have to work nearly *three* full-time minimum wage jobs just to cover the basics.
- **Work Supports Are Crucial for Low Wage Workers:** *With the help of housing, child care, food, health care, and work supports, a Somerset County single parent with two children (a preschooler and a school-age child) and working a full-time job earning \$10.81 per hour could meet all of her family's needs.* Without this assistance, her earnings alone would only cover about half of the income needed to meet her family's basic needs.

How is the Self-Sufficiency Standard Calculated?

The Self-Sufficiency Standard varies by geography and by family composition. The costs of six basic needs—child care, food, health care, housing, miscellaneous costs, and transportation—are totaled by county for over 700 family types, and then taxes and tax credits are calculated and added. The result is a set of “bare-bones, no frills” budgets that show the minimum needed to adequately meet a family’s most basic needs. The data used in calculating the Standard are obtained from scholarly or credible sources (such as the U.S. Census Bureau), and the methodology used for the calculations is standardized nationwide. As a result, the numbers are consistent and comparable over time and place, across Maryland and the country.

How the Self-Sufficiency Standard differs from the Official Poverty Measure

The Federal Poverty Level (FPL) was designed five decades ago to measure poverty, and it is now outdated and inadequate. The Self-Sufficiency Standard (SSS) contrasts sharply with the FPL in several ways:

- ***The SSS Measures the Costs of Families with Working Adults:*** The FPL implicitly assumes that in a two-parent family, one adult works, and in a one-parent family, no adults work. In contrast, the Standard assumes that all adults work. This assumption reflects both the reality of a family’s economic choices today as well as the requirements of the “work-first” welfare system. Thus the Standard includes work-related costs such as child care, transportation, and taxes.
- ***The SSS is Built on the Costs of ALL of a Family’s Basic Needs:*** When the Federal Poverty measure was created, only the cost of food (for a nutritionally adequate emergency food plan) was known; since families spent an average of one-third of their budget on food, the FPL is derived by multiplying this USDA food budget by three. In contrast, the Standard is built from the ground up, using costs for all of a family’s major basic needs to determine a minimally adequate income.
- ***The SSS Varies Geographically:*** With the exception of Hawaii and Alaska, the FPL is the same everywhere in the country—whether one lives in Manhattan, New York or Manhattan, Kansas. In contrast, the Standard varies by county or city, reflecting the real variation in the cost of living in different places.
- ***The SSS Varies by the Age as well as Number of Children:*** While the FPL assumes the same costs for all children regardless of age, the Standard varies costs based on the children’s ages, which is particularly important for child care, but also for health care and food costs.

How Much Does it Cost to Meet Basic Needs in Maryland?

The Self-Sufficiency Standard varies by location and family type across Maryland. For example, a single adult living in Garrett County, the least expensive county in Maryland, requires \$9.59 per hour (\$20,256 annually) to meet his/her needs at a minimum level. However, in Montgomery County, one of the most expensive counties in Maryland, a single adult requires \$17.90 per hour (\$37,807 annually) to meet the same level of basic needs.

The Standard also varies considerably by family type. Families with children require substantially more resources. A single adult in Baltimore County requires \$13.56 per hour to meet basic needs. The Self-Sufficiency Wage for a single parent with a preschooler in Baltimore County nearly doubles, requiring a full-time wage of at least \$25.81 per hour to meet the cost of basic needs. If the family includes a single parent with a preschooler and a school-age child, the adult requires a wage of \$30.57 per hour to be self-sufficient. The Self-Sufficiency Wage for a two-parent working family with a preschooler and a school-age child is \$17.17 per hour for *each* parent working full time in Baltimore County.

How Baltimore City and Montgomery County Compare to Other U.S. Places

The report compares the Self-Sufficiency Standard in Baltimore City and Montgomery County for a family with one adult with one preschooler and one school-age child to the Standard in 10 other places across the country. Among these places, Montgomery County is the second most expensive place; this adult needs to earn \$40.99 per hour to meet her family's basic needs, surpassed only by Stamford, Connecticut (at \$41.94) and similar to Fairfax County, Virginia (\$39.88). The same family type in Baltimore City requires \$25.22 per hour to meet basic needs, which is comparable to Denver (\$27.58) and Milwaukee (\$26.99).

How the Self-Sufficiency Standard Compares to Other Benchmarks of Income

A single parent family with two children (a preschooler, and a school-age child) in Kent County requires \$50,733 per year to be self-sufficient. Comparing this Standard to other income benchmarks, we see that:

- Welfare (Temporary Assistance for Needy Families) plus food assistance (Supplemental Nutrition Assistance Program and WIC) only covers 24% of the family's basic needs.
- The Federal Poverty Level is only 40% of the amount necessary to meet this family's needs.
- Similarly, a full-time minimum wage job (subtracting taxes and adding tax credits) only provides 48% of the amount needed to be self-sufficient.
- At the same time, the Standard falls between what the U.S. Department of Housing and Urban Development designates as "Low Income" and "Very Low Income" for the purposes of allocating housing assistance. Households with incomes less than 80% of the median area income of \$66,870 for a three-person family in Kent County are deemed to be "Low Income" and those below 50% are deemed to be "Very Low Income."

How the Wages of Maryland's Top Ten Occupations Compare to the Standard

In terms of the number of workers in these occupations, the ten largest occupations in Maryland are cashiers, retail salespersons, office clerks, managers (general and operations), nurses, waiters and waitresses, janitors, food preparation and servers (including fast food), secretaries and administrative assistants, and customer service representatives. Only two of these—nurses and managers—have median wages that are above the Self-Sufficiency Standard for one adult with a preschooler and a school-age child in St. Mary's County. As a proportion of this Standard, median wages for the remaining occupations range from just under a third (cashiers, waiters and waitresses, or food preparation/service) to 62% (secretaries and administrative assistants).

How Much the Standard Has Changed over Time in Maryland

The Self-Sufficiency Standard in Maryland for a single adult family with two children (a preschooler and a school-ager) has risen in all counties on average by 66% between 2001 and 2016, an average of 3.4% per year. For example, in Baltimore City the Self-Sufficiency Standard (before taxes) increased 45% between 2001 and 2016 (from \$36,767 to \$53,258 per year). Housing, child care, food, and health care all increased by more than 40% for this family type in Baltimore City.

Increases in the Consumer Price Index versus the Self-Sufficiency Standard

If the 2001 Maryland Self-Sufficiency Standard were only updated to 2016 for inflation, using the Consumer Price Index (CPI), it would significantly underestimate the increase in actual costs facing working families. In percentage terms, the CPI rose on average 2.4% annually between 2001 and 2016, but in reality, costs rose at annual rate of 4.7% in Kent County, and by 3.6% annually in Prince George's County. As a result, the Standard updated from 2001 with the CPI would underestimate the increase in costs for Kent County by over \$8,500 and would underestimate the increase in costs for Prince George's County by nearly \$6,000.

What is the Impact of Work Supports?

For many families, especially if they are newly entering or re-entering the workforce or leaving welfare, it is not realistic to expect that they will meet their needs from wages alone. In every Maryland County, the Self-Sufficiency Wage for families is considerably higher than the current minimum wage of \$8.75 per hour. However, work supports such as child care assistance (Maryland Child Care Subsidy Program) can help families meet their needs by reducing costs, especially families with young children.

The Self-Sufficiency Standard for Maryland 2016 models the impact of several work supports on reducing the costs of meeting basic needs for a single parent family with one preschooler and one school-age child in Somerset County. Without the help of any work supports, this family in Somerset County requires a Self-Sufficiency Wage of \$20.92 per hour (\$3,682 per month) to meet basic needs. When the family receives work supports the amount needed to cover basic costs is reduced:

- If transitioning off welfare, this family can typically qualify for child care assistance, SNAP (formerly known as food stamps), WIC, and Medicaid (which covers health care for both adults and children); this reduces the wage the family needs to cover their basics to \$11.96 per hour (\$2,106 per month).
- If this family receives assistance with housing as well as child care, food (SNAP and WIC), and children's health insurance, then they would be able to cover their total expenses with a wage of \$10.81 per hour (\$1,902 per month).

Looked at another way, a single parent family with one preschooler and one school-age child in Harford County, working at the Maryland minimum wage of \$8.75 per hour, and not receiving any work supports has a "wage adequacy" of only 34%, that is, earnings only cover 34% of the costs of basic needs. With the help of child care assistance, however, this wage would cover 44% of what is needed to meet basic needs. If the family received child care assistance, SNAP, WIC, and MCHP, the adequacy of a minimum wage job is increased to 62%. Receiving housing assistance (in addition to child care assistance, SNAP, WIC, and MCHP) increases the family's wage adequacy to 90%, meaning the family can afford nearly all of their basic needs.

Conclusion

The Self-Sufficiency Standard documents the income required for families to live independently, without public or private assistance. The Standard shows that, for most parents, earnings that are well above the official Federal Poverty Level are nevertheless far below what is needed to meet their family's basic needs. The Standard tells us that families have a hard time meeting basic expenses not because they lack responsibility, work ethic, or budgeting skills, but because they lack enough income to cover the cost of basic needs. The rising costs of basic needs; the lack of education and skills; welfare time limits; and restrictions on training and education all add to the problems faced by many seeking self-sufficiency.

Reaching Self-Sufficiency involves many stakeholders, not just parents working or employers paying adequate wages and benefits, but also policies and programs that help reduce costs and/or raise resources. The Self-Sufficiency Standard is currently being used to better understand issues of income adequacy, to analyze policy, and to help individuals striving for self-sufficiency. Community organizations, academic researchers, policy institutes, legal advocates, training providers, community action agencies, and state and local officials, among others, are using the Self-Sufficiency Standard.

The Self-Sufficiency Standard for Maryland 2016, including county specific information for over 700 family types, is available online at www.maryland-cap.org and www.selfsufficiencystandard.org.

For further information about how the Standard is calculated or the findings, please contact Dr. Diana Pearce, at 206-616-2850 (w), 206-852-3759 (cell), or at pearce@uw.edu, or Lisa Manzer at 206-685-5264 or lmanzer@uw.edu.